GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4498
ANSWERED ON:21.02.2014
BANK INTEREST RATES TO MSMES
Rane Dr. Nilesh Narayan

Will the Minister of FINANCE be pleased to state:

(a) whether the rate of interest on loan disbursed to Micro, Small and Medium Enterprises (MSMEs) is different from that disbursed to big industrial houses;

(b) If so, the details thereof during the last three years and the current year, bank-wise;

(c) Whether RBI has received any requests from MSMEs for reduction of the said interest rates;

(d) If so, the details thereof along with the action taken by the Government thereon; and

(e) the steps taken by the Government to ensure adequate credit to MSMEs?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a)to(d): Reserve Bank of India (RBI) has deregulated the interest rate charged by Banks on loans disbursed and Banks determine their actual lending rates on loans and advances with reference to the Base Rate and other factors which are customer specific mainly relating to his ability to repay.

Though RBI does receive requests from MSMEs for reduction in the interest rates/high cost of credit, they do not have data on complaints received from MSMEs specifically relating to reduction in interest rates.

(e): The Reserve Bank of India (RBI) has issued detailed guidelines to all scheduled commercial banks on lending to the MSME sector which, inter alia, provide for a time frame for disposal of loan applications, loan limit for dispensing the collateral requirement and earmarking for micro enterprises within the micro and small enterprise (MSE) lending.

Further, the Government has implemented various schemes namely, Credit Guarantee Trust for Micro & Small Enterprises, Credit Linked Capital Subsidy Scheme, Performance and Credit Rating Scheme, India Opportunities Venture Fund, MSE Refinance Fund to facilitate credit flow to the MSE sector.